

9/6/77

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WITHDRAWAL SHEET (PRESIDENTIAL LIBRARIES)

FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
memo w/ att.	From Brzezinski to The President (8 pp.) re: "Project SEAFARER"/ enclosed in Hutcheson to Brzezinski and Eizenstat 9/6/77	9/1/77	A
memo	(2 pp.) re: Comparison of 1967 and 1977 Panama Canal Agreements <i>opened per RAC, 2/14/83</i>	8/15/77	A

FILE LOCATION

Carter Presidential Papers- Staff Offices, Office of the Staff Sec.-Pres. Hand-writing File 9/6/77 Box ■ 47

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THE PRESIDENT'S SCHEDULE

Tuesday - September 6, 1977

8:15 Dr. Zbigniew Brzezinski - The Oval Office.

8:45 Mr. Frank Moore - The Oval Office.

9:00 Meeting of the National Security Council.
(60 min.) (Dr. Zbigniew Brzezinski) - Cabinet Room.

10:30 Mr. Jody Powell - The Oval Office.

11:00 Meeting With Brigadier General Omar Torrijos
(30 min.) Herrera, Chief of the Government and Commander
of the National Guard, Panama. (Dr. Zbigniew
Brzezinski) - Oval Office and Cabinet Room.

12:15 Lunch with Vice President Walter F. Mondale.
The Oval Office.

2:00 His Excellency, Alfonso Lopez Michelsen,
(30 min.) President of the Republic of Colombia.
(Dr. Zbigniew Brzezinski) - Oval Office and
Cabinet Room.

3:15 His Excellency General Francisco Morales
(30 min.) Bermudez Cerrutti, President of the Republic
of Peru. (Dr. Zbigniew Brzezinski) - Oval
Office and the Cabinet Room.

4:30 His Excellency General of the Army
(30 min.) Alfredo Stroessner, President of the
Republic of Paraguay. (Dr. Zbigniew Brzezinski).
The Oval Office and The Cabinet Room.

5:45 His Excellency General Augusto Pinochet
(30 min.) Ugarte, President of the Republic of Chile.
(Dr. Zbigniew Brzezinski) - Oval Office
and the Cabinet Room.

THE WHITE HOUSE
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
X	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION	FYI	
		MONDALE
		COSTANZA
		EIZENSTAT
		JORDAN
		LIPSHUTZ
		MOORE
		POWELL
		WATSON
		LANCE
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

	ARAGON
	BOURNE
X	BRZEZINSKI <i>orig</i>
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
	KING

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

THE WHITE HOUSE
WASHINGTON

September 6, 1977

Z. Brzezinski -

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

Re: President's Mother's
Invitation to Bangladesh

*logged
9/2*

THE WHITE HOUSE
WASHINGTON

809
Joe never heard
of it before
J

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September 2, 1977

ACTION THE PRESIDENT HAS SEEN.

p.s. She makes
decisions on her
own
J

MEMORANDUM FOR: THE PRESIDENT

FROM: ZBIGNIEW BRZEZINSKI

23.

SUBJECT: Your Mother's Invitation to Bangladesh

Both VOA and the Bangladesh Government are anxious to put out news stories on the visit, but we are holding them off pending guidance from you.

The important element of the news stories would be your mother's acceptance of the invitation to visit Bangladesh; the Bengalis would like to say something to the effect that the invitation was accepted with mutually agreeable dates to be settled later. This, of course, commits your mother to nothing specific, but it is a fairly positive statement, and the Bengalis will undoubtedly follow up on it actively. (The memcon at Tab A conveys the tone of the visit.)

Are you agreeable to a statement along this line (and a fairly real possibility of a visit) or would you prefer to limit the statement to something that simply expressed your mother's gratitude at the invitation but makes no further commitment, implied or otherwise? The State Department official who visited Plains said that your mother seemed to react very enthusiastically to the invitation but recognizes that this may have only been her usual graciousness. If it was nothing more than that, the Bengalis may not have gotten the message.

ACTION REQUESTED:

Do you prefer a statement that:

Uses the traditional "accept with a date to be agreed on later" terminology? _____

Or a vaguer statement that only expresses your mother's gratitude for the invitation? ☒ _____LIMITED OFFICIAL USE

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DEPARTMENT OF STATE

Memorandum of Conversation

DATE: Aug. 29, 1977
TIME: 10:30 A.M.

SUBJECT: Invitation to Mrs. Lillian Carter to Visit Bangladesh

PLACE: Mrs. Carter's Pond House, Plains, Georgia

PARTICIPANTS: Americans

Mrs. Lillian Carter, the President's mother
Mrs. Maxine Reese, Plains, Georgia, an aide to
Mrs. Carter.

Mr. Douglas B. Archard, Country Officer for
Bangladesh, reporting officer

Bangladeshis

Justice Abdus Sattar, Vice President of Bangladesh
Ambassador of Bangladesh to the US, M. R. Siddiqi
Mrs. Hosne Karim, Counselor, Bangladesh Embassy
Mr. Nurul Islam, First Secretary, Bangladesh
Embassy

Background

The Vice President was in North America to attend a Commonwealth Law Ministers' Conference in Winnipeg, Canada. He went to Georgia specifically to extend an invitation to Mrs. Carter to visit Bangladesh.

Mrs. Carter received the visitors warmly. After a short time, Justice Sattar presented her with a gift of Bangladeshi handicrafts (valued below \$50). A half-hour of non-substantive conversation ensued, most of it dedicated to cross-cultural comparisons, with Mrs. Carter making frequent mention of her experiences on the sub-continent.

Justice Sattar pointed out that Mrs. Carter's recent visit to India for President Ahmed's funeral, and her general interest in South Asia are widely and favorably known on the sub-continent. In light of her interest, he wished to extend an invitation to her to visit Bangladesh. If she could accept, he suggested a visit would be best during the cool weather, and specifically mentioned the month of December.

NEA/PAB:DBA:chard:de

(Drafting Office and Officer)

8/30/77

FORM DS-1254
2-65

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Mrs. Carter responded warmly that she would love to accept and was already thinking about a visit. She made it clear, however, that details of a visit would first have to be worked out in Washington -- she specifically mentioned both the White House and the State Department in this regard. Mrs. Carter referred the matter to Mr. Archard and asked that any arrangements for a visit be cleared with the President's cousin, Mr. Hugh Carter of the White House staff. She told the Vice President that if she were to visit in December, it would have to be early in the month, as she will be attending a wedding in Georgia on December 17.

Archard promised that the subject of a visit would be considered in Washington as soon as possible and that we would be getting back to the Bangladeshis about it.

After the call, a press session requested by Embassy Dacca was held on the lawn. Present on contract for USIA were a reporter from the Columbus, Georgia Ledger, a free lance photographer, and a two-man television crew. Also present were a photographer from an Americus, Georgia newspaper who had been informed of the meeting by Mrs. Reese, and both a reporter and a photographer from the Associated Press who happened to be in Plains on a different assignment and who attached themselves to the press party.

Also present were two Kashmiri brothers named Keen, one a Canadian citizen and the other a Pakistani, who are both U.S. permanent residents. The Keens do a multi-million dollar import business in jute carpet backing in Dalton, Georgia -- handling one-third of Bangladesh's export of that fabric to the U.S. They are thus the Bangladesh Embassy's most important business contacts in the United States. The pair arranged for and drove the two automobiles which the Bangladeshis used for the visit.

Following the press interview, Mrs. Carter joined the party for a luncheon hosted by the Bangladesh Embassy in Albany, Georgia, some 40 miles away. The invitation to her was extended, apparently spontaneously, just before the party was to depart. During the drive to Albany, she accompanied Justice Sattar and Ambassador Siddiqi. Before leaving Plains, the party drove by the home of President Carter and stopped at the family peanut warehouse. While there, everyone was introduced to Mrs. Sybil Carter, wife of the President's brother. Sybil Carter politely declined an invitation to join in the luncheon.

Lunch was at the La Chateau restaurant. Mrs. Reese and Ray, Mrs. Carter's Georgia State Patrol escort, joined us for lunch as did the two Keens.

THE WHITE HOUSE
WASHINGTON
September 6, 1977

Hamilton Jordan

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

LETTER FROM ROBERT H. MCKINNEY
RE MEMOBER OF THE FEDERAL HOME
LOAN BANK BOARD

THE PRESIDENT HAS SEEN.

*Hamm
Comment
J*

September 2, 1977

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

I received a telephone call yesterday afternoon from Landon Butler indicating some immediate action was pending relative to the possible nomination of Grady Perry as a member of the Federal Home Loan Bank Board. Grady Perry's term as a member of the Board expired August 15, 1977. Mr. Butler suggested that I write you this letter to set forth the facts, which briefly are as follows:

1) In my discussions with you, Hamilton Jordan and Landon Butler prior to my appointment, it was mutually agreed that I would retain the right to approve other appointees to the Board in order that I would have the type of Board that would enable me to accomplish my goals and those of the Administration;

2) During my earlier discussions with Mr. Jordan and Mr. Butler, the name of Grady Perry was mentioned as a potential appointee to fill the other vacancy on this three member Board. This discussion came to a focus during the week of July 11, 1977 at which time I was specifically assured that no promises had been made to Senator Sparkman relative to Mr. Perry. I asked for, and received, this assurance since I knew I would be questioned on this point during my confirmation hearing.

3) The Senate Committee hearing on my nomination took place on July 15 and July 18, 1977. During that hearing I was vigorously questioned about the next appointment to the Board. I stated what I believed to be the facts:

a) That the power of appointment was in the President and not in me, and that I did not know the identity of the next appointee. The President and I had agreed, however, that I would be consulted as to future appointments.

b) That no other appointee had been agreed upon;

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for Preservation Purposes**

c) That I wholeheartedly supported the Administration's policy of encouraging female and minority appointments.

4) After substantial debate, I was confirmed by the Senate on July 29.

On August 1, I had a telephone conversation with Mr. Butler relative to the existing Board vacancy and next appointment. As I wanted to move ahead as quickly as possible to obtain the support I needed on this three member Board, I stated that I felt we must keep the selection an open one, and that we should consider as promptly as possible all potential nominees. I confirmed this conversation with a letter on August 3, saying, among other things:

"...we should go through the selection process and not merely pick what would appear to be a predetermined person. This not only helped verify the true fact that we had no prior commitment, but I believe it also helped us to be certain that we are making the right recommendation to the President."

My letter of August 3 further requested that no decision be made until after August 15, when I would be sworn in as Chairman and could sit down and discuss the issue in person.

5) After I became Chairman on August 16, I received a call from Mr. Butler saying it had been decided to proceed with the appointment of Mr. Perry. I stated that I felt that this was not in accordance with our agreement and asked for a prompt meeting with Hamilton Jordan, which was held on August 24. At this meeting I again pointed out the reasons why I thought it would be a mistake to appoint Mr. Perry, namely:

a) He would face very substantial opposition from some members of the Senate Banking Committee because he is clearly identified with the past practices of the Board, which practices have been heavily criticized by consumer groups as well as those members of the Banking Committee. Accordingly, there is a real risk of his defeat by the Banking Committee and in my judgment this is a risk which should not be assumed.

b) It was my judgment that we could find people who could better help carry out the new policies of the Administration and the Board, which I had promised to implement at an early date;

c) The policy of the Administration which I strongly support is to make female and minority appointments whenever possible, and I felt that this was an ideal circumstance for such an appointment.

d) My position with Congress will be considerably weakened since I had represented to the Committee that new policies and directions would be undertaken by the Board.

I was then advised the issue would be reconsidered and I would receive a telephone call.

6) Having heard nothing further, I telephoned Mr. Butler on August 31. He told me of strong pressure to appoint Mr. Perry and that, as a matter of fact, his appointment was now being processed. I told him I felt it was improper and violated my understanding with the Administration. I asked that it be deferred until I could talk to you. I again talked to Mr. Butler last night, at which time he asked that I write this letter.

As Chairman of an independent government agency, I feel I have an obligation to state my position clearly to you. The Federal Home Loan Bank Board has only three members; the choice of the other Democratic member is critical to the success of the Board during your Administration. I would be pleased to meet with you personally, but I wanted to be sure that you had some immediate basic facts in writing before any further decisions are made.

Respectfully,

Robert H. McKinney by M. Condy

Robert H. McKinney
Chairman
Federal Home Loan Bank Board

(Dictated by Robert McKinney by
telephone from Indianapolis 9/2/77.)

THE WHITE HOUSE
WASHINGTON

September 6, 1977

Jody Powell

The attached was returned in
the President's outbox. It is
forwarded to you for your
information.

Rick Hutcheson

RE: SHRILL DEFENSE

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

September 2, 1977

Electrostatic Copy Made
for Preservation Purposes

Jody
Very good
J

MEMORANDUM TO THE PRESIDENT

FROM: Jody Powell *JJP*

SUBJECT: Shrill Defense

Attached is:

1. New Republic article
2. Bob Lipshutz's memo on the article
3. The response to New Republic to be carried with the article in its Monday issue
4. The lengthier response, in column format under Bob's and my names, for papers which have carried the article without any response.

When there not so much
to defer to, I would not need to
be so shrill. I will remember the
close relationships of the attack focusing
establishment during the 1970 campaign and
the administration. *JJP*



Lance and Carter both know how to play the banks.

The Good Old Boy Network

Bert Lance is not the only member of the Carter administration who financed a political campaign with loans from friendly Georgia banks. That's how his friend Jimmy Carter got to be President.

It's an old story in Georgia politics and it may explain part of why, as President, Carter seems to feel that his director of the Office of Management and Budget has done nothing wrong over years of playing around with other peoples' bank deposits. Both men financed Georgia gubernatorial campaigns with bank loans, but the real payoff in knowing how to play the banks came from Carter in the 1976 presidential campaign.

Fourteen loans totalling \$1.5 million from two Atlanta banks were what kept the Carter campaign going through crucial days of the spring of 1976, when a Supreme Court decision on the constitutionality of the new Federal Election Commission suspended matching fund payments to presidential candidates for two months. While Henry Jackson and Morris Udall were going broke in Pennsylvania and Ohio, Carter was tapping what looked like an unending, and unsecured, pipeline of Southern cash. In addition to the bank loans, the Carter campaign also had what amounted to short-term loans of almost \$1 million from Southern suppliers and vendors who agreed not to demand quick payments in order to help the local boy making good. As a result, Carter was able to outspend Jackson \$459,653 to \$167,149 in the Pennsylvania primary.

Looking at the 5169 pages of Carter campaign records filed with the FEC shortly after the 1976 election, it is hard to figure out how all that money would have been paid back if the local boy had stumbled and contributions to the Carter campaign had stopped now. Somebody ~~was~~ gambling with other peoples' money. Bert ~~glance~~ stumbled in his 1974 campaign for the Democratic nomination for Governor of Georgia, and as a result his campaign committee still has not paid back \$390,000 it borrowed from Atlanta's Citizens & Southern bank. C&S, however, apparently thought the Carter campaign would be a better risk and lent it \$175,000 in March and April of 1976. Fulton National Bank in Atlanta began making loans after that. By the end of May, the campaign owed the two banks just over \$1 million. Add to that \$1.27 million in supplier bills and another \$82,000 in loans from smaller banks and individuals, and the Carter campaign was well over \$2 million in debt. Its tangible assets at the time were accounts receivable of about \$300,000, most of it transportation costs billed to the Secret Service and press; and bills submitted to the FEC, but not approved, totalling \$650,000. If the Carter campaign had collapsed—those things do happen in politics—some of those generous Southerners, banks and suppliers, stood a chance of being stuck for more than

one million dollars, because only \$100,000 of the loan money was guaranteed by Jimmy Carter's personal assets. According to FEC records the "guarantor" of the other loans was: "None."

A outsider might guess that Georgia bankers and businessmen were either very smart, very lucky, high-stakes gamblers or the best political analysts in the country.

Insiders might say, as Carter does about Lance's financial dealings, that that's just the way they do business down there. "In terms of campaign financing," according to *Campaign Money*, edited by Herbert Alexander, director of the Citizens Research Foundation, "the granting of personal loans to supporters has apparently been the standard mechanism for injecting bank money into [Georgia] political campaigns. For instance, former Governor Jimmy Carter has said that seed money for his 1970 campaign came from supporters who raised about \$250,000 in personal notes."

And that's what they do say—business as usual. Officials of C&S and Fulton told us that the loans were "routine" and were totally secured by the Carter campaign's due bills and the anticipated FEC money. But the numbers don't appear to support that, and six of the loans were made when there was some doubt whether the FEC would be reconstituted by Congress. The C&S vice president who approved the first four Carter loans, incidentally, was Hubert Harris, who is now Bert Lance's assistant for congressional relations.

Besides the bank loans, there were also the claims of creditors, the friendly suppliers, most of whom worked through the small advertising agency of Gerald Rafshoon, Carter's media adviser. At the end of May, Rafshoon owed his suppliers \$647,997. He, in turn, was owed that amount by the campaign. Rafshoon, who had substantial personal loans from Lance's National Bank of Georgia, said that none of his campaign debts were underwritten by banks. "They were Atlanta companies," he said, "which were willing to wait for money because they wanted Jimmy to win as much as we did." They also probably believed they were in line for the FEC money that the banks also were relying on as a potential source for repaying their loans...

And what of Carter's opponents? They could not, or would not, borrow from banks. Jackson, facing the same problems as Carter, borrowed only \$42,700. "Bankers and our finance people were very skittish about the bankability of the FEC due money, whether it could be used as collateral," said Jackson's campaign manager, Robert Keefe. "No one was sure for weeks whether there was ever going to be any FEC money. Scoop could have taken some personal notes, but he really has no net worth to borrow against. And, frankly, he just didn't want a debt hanging over him." Udall borrowed \$70,000 on his own signature, but that was it. "We had no access to real money markets," said John Calusi, director of the Udall campaign. "We didn't have bankers and we just couldn't get loans like that. And we had no deal like the Rafshoon thing—nobody would give us credit."

→ "probably"

The chronology of the Carter campaign borrowing really began on January 30, 1976, when the Supreme Court ruled that the Federal Election Commission—with some members appointed by Congress and some by the President—was an unconstitutional hybrid of legislative and executive powers. With the FEC in suspension while Congress debated new legislation acceptable to the Court, the last matching-fund checks went to presidential candidates on March 22. All campaigns soon were in a cash-flow bind. Carter took his first loan on March 15—\$70,000 from C&S. By the end of the month, his campaign was \$556,000 in the red. (1)

What followed was classic, and successful, deficit financing. The Atlanta banks and suppliers provided money and services against anticipated revenues—revenues that would keep coming if Carter kept winning primaries. For the duration of the primary season, the campaign would borrow money—or fail to pay its Georgia network creditors—for “upfront” cash to buy television time and field organization. With each media barrage—answered less and less frequently as Jackson and Udall ran out of cash—came a victory or at least a strong showing, and with each triumph came contributions to keep going.

On April 2, the Carter campaign went to C&S for another \$30,000. Then: April 15, Fulton, \$40,000; April 20, Fulton \$60,000; April 23, C&S, \$25,000; April 29, C&S, \$50,000; May 14, Fulton, \$130,000; May 14, Fulton, \$120,000; May 25, Fulton, \$200,000; May 28, Fulton, \$200,000; May 28, Fulton, \$100,000; June 7, Fulton, \$200,000; June 22, Fulton, \$300,000. The loan total of \$1.525 million does not necessarily mean that \$1.5 million was owed at any one time because the campaign began repaying loans in June. But at times, the campaign owed the two banks at least \$1 million. (2) (b)

By the end of April, the Carter campaign had a net indebtedness of \$960,000, including bank debts and \$350,000 owed to Rafshoon. On May 31, the net indebtedness had reached \$1,898,000, with \$645,997 owed to Rafshoon. After the key victories over Jackson and Udall in Pennsylvania and Ohio, and the resumption of FEC payments beginning May 22, the net debt was reduced to \$1,160,000 on June 31, with \$431,000 owed to Rafshoon. By the end of July, the debt had been reduced to a little more than \$500,000, and by August 31, the Carter campaign was in the black for good.

So unlike Lance's debts, Carter's campaign loans were repaid. As far as the Atlanta banks are concerned, that's proof enough that they were sound business risks all along. Herbert Mc Koy, the Fulton vice president for commercial credit who handled the loans, said the bank had “a commitment” to the Carter campaign and accepted repayment pledges discussed in conversations with Carter's campaign treasurer, Atlanta attorney Robert Lipschutz. Lipschutz is now counsel to the President. “Each loan stood on its own merits,” McKoy said. “These were short-term, self-liquidating loans to help them with their cash flow problems.” The banker said “FEC receivables” were security enough for loans to a campaign. (b)

Mo Udall could not get from any bankers.

The letters between Lipshutz, McKoy and Harris during the spring of borrowing are friendly, almost chatty things, some beginning, "Dear Herkie," which is Harris's nickname. The Southern politicians, bankers and lawyers may have seen themselves as "outsiders" as far as Washington was concerned, but they sure sound like Atlanta insiders helping a buddy take over the country.

With a little help from his friends, Carter was the only survivor of the dollar drought caused by the FEC's court-ordered inactivity. By the time Udall and other candidates had some ready cash in early June, it was too late to stop the frontrunner. The "common practice" of politicians and bankers in Georgia—to use Carter's phrase in defending Bert Lance—apparently was not common enough elsewhere to do Carter's competitors any good.

Jimmy Carter now has endorsed that common practice endorsing—proudly, he said—Bert Lance's behavior. What is most disturbing is that our post-Watergate President does not seem to understand why other Americans are genuinely shocked by Lance's "common" behavior. Carter has accepted, for now, the standard of doing what you can get away with. And it turns out the bankers and their favored politicians can get away with a hell of a lot. He has disillusioned a few of us who thought or hoped he was really running against privilege. It looks like he did not understand that most people are not as privileged as Bert Lance—or Jimmy Carter. Apparently he never really expected to be held to the standard he articulated in his now-famous May 1974 "Law Day" speech at the University of Georgia:

"Well, I've read parts of the embarrassing [Nixon] transcripts, and I've seen the proud statement of a former attorney general, who protected his boss, and now brags on the fact that he tiptoed through a minefield and came out 'clean.' I can't imagine somebody like Thomas Jefferson tiptoeing through a minefield on the technicalities of the law, and then bragging about being clean afterwards." No, it's hard to imagine that. Or, that after he got out of the field, Jefferson would be met by George Washington saying: "Tom, I'm proud of you!"

Richard Reeves

Barry M. Hager

Richard Reeves is the author of *Convention* (Harcourt, Brace Jovanovich). *Barry M. Hager* is a correspondent for *Congressional Quarterly*.



August 31, 1977

MEMORANDUM FOR JODY POWELL

FROM: Bob Lipshutz *BL*

SUBJECT: Proposed Article by Richard Reeves and Barry M. Hager Entitled "The Good Old Boy Network"

The theme of this article seems to be that the banks in Atlanta acted imprudently by extending loans to the Carter campaign. Nothing could be further from the truth!

The two Georgia banks from which we borrowed money from time to time during the campaign were the Fulton National Bank of Atlanta and the Citizens and Southern National Bank.

The only loan which was made throughout the campaign which was not fully collateralized by adequate accounts receivable was a loan of \$100,000 which Jimmy Carter guaranteed personally. This loan was made in April of 1976: \$40,000 on or about April 15 and \$60,000 on or about April 20. At that time the Congress had not acted to re-enact the Federal Election Law which had been declared unconstitutional by the United States Supreme Court. Furthermore, the financial statement of Jimmy Carter quite obviously supported a loan of \$100,000; and the press is fully aware of his financial status because of published financial statements.

All other loans made by the Fulton National Bank of Atlanta were made subsequent to May 11, 1976, which is the date on which President Ford signed and thus put into effect the new election law. Each and every one of these loans was fully secured by a very carefully handled assignment by the campaign committee to the Fulton National Bank of matching-funds-receivable which were due by the United States Treasury, through the Federal Election Commission, to the campaign, based upon submissions actually given by the campaign committee to the Federal Election Commission. The attorneys for the bank very thoroughly researched all banking laws and campaign laws regarding this transaction before the loans were made, and the bank's attorneys and officers handled it in the same manner in which they handled other loans which are secured by accounts receivable, including an advance notice to the Federal Election Commission of the transaction and of the assignment. The matching funds checks were actually sent direct to the bank by the Federal Election Commission, to the attention of the lending officer, instead of to the campaign committee; and the bank deposited the funds and simultaneously debited the account in each instance for the outstanding loan covered by such account.

With reference to the Citizens and Southern National Bank loans, each and every one of these was fully secured by an assignment of accounts receivable by the campaign committee from the United States Secret Service and the media, representing charges properly made to them for travelling on the campaign airplane and buses. These loans also were

handled very carefully both by the attorneys and officers for the Citizens and Southern National Bank, who thoroughly documented the transaction in the manner provided by law, who constantly audited the account, and by taking all other precautions which they felt necessary to make the loan both legal and sound.

At all times both the Fulton secured loans and the Citizens and Southern loans were covered by accounts receivable significantly in excess of the amount of loan outstanding.

The following random comments may also be of some interest.

1. All of these bank loans obviously were not only completely legal but also very sound; anyone willing to look at them objectively would agree, not only because of the manner in which they were handled and the collateral which was taken, but also by the fact that obviously loans of this type were thoroughly reviewed by the bank officers and auditors and by the bank regulatory authorities, as well as by the Federal Election Commission and the independent certified public accountants who reviewed the campaign activities.

2. As permitted by Federal Campaign Law, and all other law, the vendors who did business with this campaign had every right to extend credit for their services and goods based upon their own judgement of the credit risk and their own expectations of profit. This was true in every campaign, and obviously the Federal Election Commission has reviewed not only the Carter campaign but all others with regard to this question.

3. It is interesting to note that Morris Udall borrowed \$70,000 on his own signature alone and that Jimmy Carter borrowed \$100,000 on his own signature alone.

4. I do not see anything unusual about calling people by their first name, such as Herkie. Until the Wednesday after the first Tuesday in November of 1976, I always called the current President of the United States "Jimmy"; and I frequently spoke with one of the two authors of this column and called him "Dick". Mr. Reeves also called me "Bob".

5. With reference to the ability or inability of any other candidates to obtain bank loans, we of course cannot comment. However, it is quite well-known that political candidates in this and other campaigns throughout the country have borrowed money from banks in connection with their political campaigns, both local and federal. Both federal law and regulations not only authorize such lending, but spell out the basis upon which such loans shall be made. The Carter campaign made all of its loans in full compliance with all banking laws and regulations, as well as with all Federal Campaign Laws and regulations.



RESPONSE TO "THE GOOD OLD BOY NETWORK"

(The New Republic, 9/10/77)

The "Good Old Boy Network" is a shamefully misleading and disgracefully inaccurate story.

The theme of the article is that Atlanta banks made high-risk, uncollateralized or under-collateralized loans to the Carter campaign. This is absolutely inaccurate.

Throughout the entire campaign all loans were fully secured by accounts receivable -- either from the FEC or from transportation billings to the press and Secret Service, except two from Fulton National Bank, which were secured by Jimmy Carter's personal signature. Those loans, totaling \$100,000, were completely proper in light of Mr. Carter's net worth in excess of \$600,000.

It should be made clear, as the authors do not, that the procedures used in obtaining all these loans were cleared in advance with the FEC and publicly disclosed and explained during the campaign.

In fact, under an arrangement reached by the campaign committee, the matching funds checks were sent directly to the bank by the FEC instead of the campaign, and thus used

to pay off the bank loans immediately after the matching funds were cleared and sent.

The authors state, "Officials of C&S and Fulton told us that the loans were 'routine' and were totally secured by the Carter campaign's due bills and the anticipated FEC money. But the numbers don't appear to support that, and six of the loans were made when there was some doubt whether the FEC would be reconstituted by Congress."

The fact is that none of the six loans made before the FEC was reconstituted by Congress were secured by FEC funds. All of these loans except for the \$100,000 secured by Jimmy Carter personally were secured by transportation accounts receivable from the press and the Secret Service.

The loans secured by transportation billings were necessitated by the fact that a campaign is forced to pay cash for transporting press and Secret Service agents. The U. S. Treasury Department and the national news organizations repay the campaign over an extended period ranging from several weeks to several months.

The accuracy and currency of our FEC request records, and the tight accounting procedures maintained by us on these

records, allowed us to utilize them as valid accounts receivable. This, as well as the fact that contributions for us and accounts receivable for transportation were growing while they were fading for other candidates, allowed us to make these sound loans.

Had either Mr. Reeves or Mr. Hager contacted campaign officials on this story, we would have been happy to clarify their misapprehensions about our financing of the campaign. Neither ever bothered to try to gain our reaction to their "findings" or ever sought comment from any campaign or Administration official. We do appreciate The New Republic's meeting our request to be able to respond to the article after we learned of its existence elsewhere.

All of these bank loans obviously were not only completely legal but also very sound -- not only because of the manner in which they were handled and collateralized, but also by the fact that obviously loans of this type were thoroughly reviewed by the bank officers and auditors and by the bank regulatory authorities, as well as by the FEC and the independent certified public accountants who reviewed the campaign activities.

The loans were in fact much more sound, ethical and businesslike than the writing and publication of "The Good

Old Boy Network." Both the authors and The New Republic seem to have been following that fine old doctrine of yellow journalism, "Don't ask too many questions and screw up a good story."

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RESPONSE TO "THE GOOD OLD BOY NETWORK"

The New Republic's "Good Old Boy Network" article by Richard Reeves and Barry Hager is a shamefully misleading story.

The theme of the article is that Atlanta banks made high-risk, uncollateralized or under-collateralized loans to the Carter campaign. This is absolutely inaccurate.

Throughout the entire campaign all loans were fully secured by accounts receivable -- either from the Federal Election Commission or from transportation billings to the press and Secret Service, except two from Fulton National Bank, which were secured by Jimmy Carter's personal signature. Those loans, totaling \$100,000, were completely proper in light of Mr. Carter's net worth in excess of \$600,000.

It should be made clear, as the authors do not, that the procedures used in obtaining all these loans were cleared in advance with the FEC and publicly disclosed and explained during the campaign.

In fact, under an arrangement reached by the campaign committee, the matching funds checks were sent directly to the bank by the FEC instead of the campaign, and thus used to pay off the bank loans immediately after the matching funds were cleared and sent.

The authors base their attack on the grounds that "14 loans totalling \$1.5 million from two Atlanta banks were what kept the Carter campaign going through crucial days of the spring of 1976, when a Supreme Court decision on the constitutionality of the new Federal Election Commission suspended matching fund payments to Presidential candidates for two months."

The authors state, "Officials of C&S and Fulton told us that the loans were 'routine' and were totally secured by the Carter campaign's due bills and the anticipated FEC money. But the numbers don't appear to support that, and six of the loans were made when there was some doubt whether the FEC would be reconstituted by Congress."

The fact is that none of the six loans made before the FEC was reconstituted by Congress were secured by FEC funds. All of these loans except for the \$100,000 secured personally by Jimmy Carter were secured by transportation accounts receivable from the press and the Secret Service.

• All loans which were collateralized by anticipated receipts from the FEC were made following May 11, 1976, which is the date on which President Ford signed, and thus put into effect, the new election law.

They make the statement that some letters between campaign officials and bank officials "during the spring of

borrowing are friendly, almost chatty things, some beginning, 'Dear Herkie', which is Harris's nickname. The Southern politicians, bankers and lawyers may have seen themselves as 'outsiders' as far as Washington was concerned, but they sure sound like Atlanta insiders helping a buddy take over the country."

We fail to see anything unusual about calling people by their first name, such as Herkie. Until the Wednesday after the first Tuesday in November of 1976, we called the current President of the United States "Jimmy," and frequently spoke during the campaign with one of the two authors of this column and called him "Dick." Mr. Reeves also called us "Bob" and "Jody."

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#

11:00 AM



DEPARTMENT OF STATE

Washington, D.C. 20520

~~CONFIDENTIAL~~

August 15, 1977

SUBJECT: Comparison of the 1967 and 1977 Panama
Canal Agreements

In several important respects the 1967 and 1977 Panama Canal agreements are similar. In both agreements, operation of the Canal is to be in the hands of an administrative entity which will be controlled by the United States but in which Panama will participate. The entity has a board of directors, a majority of whom are Americans. Of the two top executive positions in the entity, one is to be held by an American and one by a Panamanian. Panama and the United States will jointly provide for canal defense, but the United States retains the right to act unilaterally as it may deem necessary to protect the Canal. The Canal Zone is to be abolished. Areas within the former Canal Zone will be reserved for canal operation and defense (i.e., military bases). The canal is to be operated on a neutral and non-discriminatory basis. These arrangements have a fixed termination date.

The principal differences between the two agreements are:

-- The canal administrative entity in the new agreement will be a U.S. Government Agency established by U.S. law; and all members of its board of directors, both U.S. and Panamanian, will be appointed by the United States. In the 1967 agreement, the entity was a binational body, with each country appointing its own directors.

-- The new agreement includes a separate neutrality treaty of indefinite duration which leaves the United States free to act as it deems appropriate to protect the neutrality of the canal. In the 1967 agreement, the provisions for neutrality were part of a defense treaty which terminated in 2004.

-- Panama will have general territorial jurisdiction over the entire area of the Canal Zone under the new agreement. The 1967 agreement reserved large areas of jurisdiction to the bi-national canal administrative entity in those areas reserved for canal operation.

~~CONFIDENTIAL~~

DECLASSIFIED
Per: Rac Project
ESDN: NLC-126-9-11-1-9
BY KS NARA DATE 2/13/13

Comparison of 1967-1977 Agreements

~~CONFIDENTIAL~~

-2-

-- In the 1967 agreement the United States received specific rights to construct and operate a sea level canal. In the new agreement there is a U.S.-Panamanian commitment to study the feasibility of a Canal and to agree at a later date on terms for construction if both countries agree that a sea level canal is necessary. The Panamanians agree that we must have the right to participate in the construction of a new Canal; we agree that if built, it will be located in Panama.

-- Payments to Panama under the 1967 agreement were to increase gradually from 17¢ to 22¢ per Panama Canal ton. Payments to Panama under the new agreement will be 30¢ per ton, plus an annuity of \$10 million from canal revenues, and an additional annuity of \$10 million contingent on the availability of canal revenues. We have also undertaken to provide Panama with up to \$295 million in loans, guarantees, and credits for economic development and up to \$50 million in Foreign Military Sales credits. These latter arrangements will be outside the canal treaty and subject to established statutory procedures for these programs.

-- Under the 1967 accord, the arrangements for operation of the lock canal expired in December 31, 1999 or on the opening of a sea level canal. The arrangements for a sea level canal ran for sixty years from the date of opening of the canal but in no event later than 2067. The defense and neutrality arrangements extended to 2004 if a sea level canal were not built and for the duration of a sea level canal treaty if such a canal were built. Under the new agreement, the canal operating provisions will run until December 31, 1999. The neutrality treaty has no termination date.

~~CONFIDENTIAL~~

Terms of 1967 Agreement never released.

THE WHITE HOUSE
WASHINGTON

September 6, 1977

Frank Moore

The attached was returned in
the President's outbox. It is
forwarded to you for your
information.

Rick Hutcheson

RE: SENATOR HUMPHREY

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THE PRESIDENT HAS SEEN
THE WHITE HOUSE
WASHINGTON

September 3, 1977

TO: The President
FROM: Fran *fran*
RE: Senator Humphrey

Muriel and Hubert Humphrey celebrate their 41st wedding anniversary today. You indicated earlier a wish to call them on this date. They're at home in Waverly, MN -- 612/658-4214.

NOTE: Senator Humphrey has been making several phone calls encouraging support on the Canal Treaty.

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for Preservation Purposes

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

C

September 6, 1977

MEMORANDUM FOR THE PRESIDENT

FROM:

ROBERT LIPSHUTZ

RL

SUBJECT:

Report of the Comptroller, dated
September 7, 1977, Relating to Bert Lance

We have just received a copy of this second report from the Comptroller, and it has also been delivered to Senators Ribicoff and Percy. I assume it will become a matter of public knowledge very shortly.

With reference to the National Bank of Georgia airplane matter, this is not covered by the report because the entire file has been referred by the Comptroller to the Justice Department and the Internal Revenue Service, rather than to the Senate committee. Presumably it is "sealed" and, therefore, not available to anyone except Justice and IRS at this time. It is my understanding that Justice will make a request that that particular subject matter not be publicly discussed because of the possible effect upon the various parties involved; as you are aware this is the usual position that both the Department of Justice and IRS take with regard to matters under investigation by them. Referrals of possible violations will also probably be made to the Federal Election Commission.

The referral to Justice will undoubtedly increase pressure for the appointment of a Special Prosecutor, because of Lance's government position and the leadership of Justice by Griffin Bell and Mike Egan, fellow Georgians.

With reference to the internal investigation of the Office of the Comptroller, this is continuing and not yet ready for publication because Bert Lance himself has not been interviewed. It is possible that this will be completed during the current week, but I am not certain that it will be. In the meantime, Deputy Comptroller Bloom and Regional Director Tarleton and others testified before a House committee on some aspects of this matter today.

**Electrostatic Copy Made
for Preservation Purposes**

With reference to the report itself, some of the basic conclusions reached are:

1. While Bert Lance was President of the Calhoun National Bank, correspondent accounts were maintained at the Fulton National Bank of Atlanta by the Calhoun, Cohutta and Ringgold banks and Bert borrowed money from the Fulton relative to the acquisition of the stock of these other two banks. A pattern of borrowing from a correspondent bank similar to that established in the other report seems to be evident, with the same conclusions;
2. The correspondent bank looked in some measure to the maintenance of satisfactory correspondent balances in determining whether to make the personal loans and in their terms, but there was not a specific compensating balance involved;
3. Of the three banks in question -- Calhoun, Cohutta and Ringgold -- the Comptroller has jurisdiction only over Calhoun, since the other two are state banks. The Comptroller found that the pattern of transactions between Calhoun and Fulton did not warrant prosecution. The report indicates, however, that the situation may have been different for the two state banks, because Fulton profited from its dealings with the banks, and the Comptroller accordingly referred those matters to the FDIC and to Georgia state authorities for possible inquiry.

Regarding the allegations of overdrafts of Bert Lance's account at the Calhoun National Bank, from December 1, 1975, through August 22, 1976, the system established for drawing funds against Bert Lance's account at NBG when the funds at Calhoun were insufficient, was criticized mildly, although there apparently were sufficient funds on deposit at NBG to cover such items within one day with one unexplained exception involving a \$19,997 overdraft which existed for one week.

The final miscellaneous portion of this report does not appear significant. It makes a few corrections to the earlier report of some facts and figures and adds some supplementary information in the form of a statement from the Vice President of Manufacturers Hanover Trust Company relating to its bank's general policy on bank stock loans.

THE WHITE HOUSE
WASHINGTON

September 6, 1977

Stu Eizenstat -

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

Re: Domestic Policy Staff Weekly
Status Report

THE WHITE HOUSE
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
X	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

1st and last pages

ACTION	FYI	
		MONDALE
		COSTANZA
X		EIZENSTAT
		JORDAN
		LIPSHUTZ
		MOORE
		POWELL
		WATSON
		LANCE
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

	ARAGON
	BOURNE
	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
X	HUTCHESON - whale report
	JAGODA
	KING

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

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for Preservation Purposes

THE WHITE HOUSE
WASHINGTON

September 2, 1977

THE PRESIDENT HAS SEEN.

*Stu - Compare
with similar
report 6-8
weeks ago. Many
items are dragging
J*

MEMORANDUM FOR:

THE PRESIDENT

FROM:

STU EIZENSTAT

SUBJECT:

Domestic Policy Staff Weekly
Status Report

NATURAL RESOURCES

Water Projects: Strategy memorandum in preparation.

Mining Law Reform: Decision memo in preparation for you on disagreements between Commerce, OMB and others on Interior's draft bill.

Alaska Land Designations: Interior proposal for designation of Parks, Refuges, Forests, Wild and Scenic Rivers and Wilderness in Alaska will be subject to interagency and OMB's comment next week. Unresolved disagreements will be forwarded to you in a decision memorandum shortly after September 7 interagency meeting.

ECONOMICS AND BUSINESS

Tax Reform: We continue to consult with Treasury, CEA and outside experts such as Joe Pechman and Stanley Surrey.

Trade Adjustment Assistance: We are working with Commerce, STR, and the agencies on a general TAA program. The paper should clear interagency review within the next several weeks and we will have a decision memo to you shortly thereafter.

GSP-OPEC: We are working with NSC and the Vice President's office to coordinate consultation on the Mondale Option with Congress and some of the OPEC countries.

COMMUNICATIONS

Telephone Interception: We have worked with NSC and other agencies on a policy to deal with foreign interception of the domestic telephone system. The issue is being discussed at the Cabinet level preparatory to sending you a decision memo and a draft public statement.

Public Broadcasting: We have worked out proposals for reauthorization legislation with OMB and HEW, and the decision memo is on the way to you.

Reorganization: We are working with OMB and Commerce on the charter and budget of the new Assistant Secretary of Commerce, who will replace the Office of Telecommunications Policy. Commerce expects to get you a recommendation on that appointment in September.

ENERGY

Nuclear Licensing Reform: Comments on working draft of legislation due September 6. Revised draft planned to be circulated at the National Governor's Conference on September 7-8.

Alcan Natural Gas Pipeline: Last week's Schlesinger-MacEachen meeting resolved all but one of the major issues in the U.S.-Canada negotiations. Staff level talks are continuing and a final Schlesinger-MacEachen meeting is now scheduled for Thursday.

Clinch River Breeder Reactor: Continuing to work with Frank Moore's staff on strategy for House floor vote. Moore and Jim Free's memo of August 31 to you summarizes vote count and suggests further actions.

Japanese Negotiations on Non-proliferation: Consulting with Zbig on progress of negotiations with Japanese on reprocessing and other non-proliferation initiatives. Memo to you containing our comments will be submitted today.

HEALTH

National Health Insurance: We have met with HEW to work out a timetable for the preparation of the Administration's NHI proposal. The next meeting of the HEW Advisory Committee on National Health Insurance will be in Canada on September 8 and 9.

Privacy Protection Study Commission: We are reviewing the comments of the agencies on the Privacy Protection Study Commission.

CIVIL RIGHTS AND JUSTICE

Undocumented Aliens: We will consult with Justice Department as they write the legislation.

Handguns: We will review the draft legislation with Justice, OMB and others.

Morris Dees Memo on Death Penalty: We will meet with Justice and comment on the memo within the next two weeks.

CIVIL SERVICE MATTERS

Hatch Act Reform: Hearings are being held in the Senate. We are working with the Civil Service Commission and Senate staff on policy development. Also coordinating with Frank Moore's staff on legislative strategy.

INTEGRITY AND OPENNESS MATTERS

Executive Order on Logging: Memo prepared by Justice has been reviewed. Justice draft has been redrafted by the Executive Office Working Group and circulated for comment to agencies. Target date is immediately after Congress' return.

Lobby Reform: House Committee is in mark-up, and we sent proposed language on executive branch lobbying developed with OMB and Justice to the Hill.

Revision of Security Classification System: We have consulted with NSC and the agencies on the questions you raised and are sending you a memo. A draft of the executive order will be ready to circulate to the agencies and to groups outside the government next week.

Public Officials Integrity Act: We are working with Frank's staff, Justice, CSC and the Speaker's office to secure House passage this year.

Funding for Printing of Federal Register and Code of Federal Regulations: GSA has changed their position on this. They are working on a memo that will be in to you soon.

OSHA Reform: We are working with OMB, CEA and DOL to establish an interagency task force as approved by you.

CONSUMER MATTERS

Agency for Consumer Protection: We are working with Esther Peterson, OMB and Frank's staff to develop strategy for initiating House action.

Class Action: We are working with Esther Peterson and Justice to review recently-introduced consumer class action bills and to develop an Administration's position. We are working with Esther Peterson, Frank's staff and Justice to help enact the FTC Improvements Act.

REGULATORY REFORM PROJECTS

Regulatory Reform: The Reorganization Project has redrafted the proposed guidelines on writing and "sunsetting" regulations to incorporate your comments as well as the comments received from the Cabinet. A draft Executive Order will be circulated soon.

Surface Transport Reform: Following your meeting with Secretary Adams, a task force is studying and preparing a decision memo for you on surface transport reform options.

Airline Regulatory Reform: We are continuing to assist the Senate committee in revising the air bill. The committee will probably report the bill this month.

Financial Institutions Regulations: We are working with Treasury, HUD, OMB and CEA to develop a format for approaching the new reform agenda in this area beyond NOW account legislation now on Capitol Hill.

TRANSPORTATION

International Air Negotiations: I will be working with DOT, State, CAB and STR on further analysis of the responsibility in International Air Negotiations.

Concorde: Options memo will be prepared for you relating to a proposed national noise rule for supersonic transports.

Urban Policy: We are working with DOT to develop the transportation component for the community and economic development portion of the urban policy statement.

MINORITY BUSINESS

Public Works Act Setaside: Information memo on status of Public Works Act minority business setaside and the SBA 8(a) reform program is on the way to you.

Minority Business Initiatives: Working with Fallows to prepare statement incorporating your decisions on Administration action in this area. Statement to be submitted to you soon.

Small Business Investment Act: Working with OMB, SBA and Commerce to prepare memo on the Administration's position on Parren Mitchell's bill to provide additional federal government support for minority enterprise small business investment companies. Memo to you by September 8.

EDUCATION

International Education: Working with HEW in creating the Presidential Commission on International Education which grew out of a U.S. commitment at the Helsinki conference last year.

Expiring Legislation: Initial proposals for expiring legislation will be available soon.

Comprehensive Education Policy: We are working with FICE in developing a draft report of the Federal Interagency Committee on federal education policy and programs.

Service Academies: We will have a full report on the study you requested of the curricular offerings at service academies soon.

WOMEN

We are continuing work with OMB and agency task forces concerned with women's equity in government operations and public policy development. As proposals are ready, we will continue to forward them to you.

AGRICULTURE AND RURAL DEVELOPMENT

Sugar: We have encountered a delay in getting Justice Department approval of the interim payment programs proposed by USDA. We expect to have a decision memo to you today.

World Hunger: We are continuing to work with Bourne, NSC, OSTP, OMB and CEA to outline a suggested approach to this issue. We are planning to have an agreed-on paper to you within the next 10 days.

Farm Bill: A description and assessment of the bill is under-way, in anticipation of receipt of enrolled bill late this month.

Drought Assistance: Working with USDA and Jack Watson to prepare an options paper on where we go following expiration of temporary drought relief authority.

HUMAN RESOURCES

Social Security: We are working with HEW to convince the Finance Committee not to combine the Social Security financing measures with H.R. 7200. We are also helping to organize opposition to the welfare amendments of H.R. 7200 which seriously disadvantage welfare recipients. We expect that some members of the committee may request your position on these issues soon after Congress returns.

Veterans Hospital Study: We are sending to you today the transmittal letter from Max Cleland to the Congress on the VA response to the National Academy of Sciences report on the VA hospital system. Certain aspects of the response to the report will be dealt with as part of the FY 1979 budget and others as part of an interagency effort to determine what the role of federal hospitals (VA, Public Health Service, Indian and DOD) should be after the introduction of National Health Insurance.

Age Discrimination: We expect to have a proposal from the Labor Department on eliminating mandatory retirement before age 70 within the next several weeks. We are coordinating the review by interested departments and expect there will be some strong differences of opinion.

Welfare Reform: We are currently reviewing a draft of the welfare reform bill from HEW. We are also working with HEW, Labor and OMB to resolve questions on the administrative structure of the program. One issue we are exploring is the possibility of moving forward the implementation date by beginning the process prior to enactment of the legislation.

HOUSING AND URBAN DEVELOPMENT

SEC Report on N.Y. - Municipal Bond Disclosure: Memo to you September 12 outlining reform proposals in response to SEC report.

Moynihan Report on New York State - Federal Relations:
Analysis to be complete September 12.

*no ltrfy
Pat*

Urban Policy: We are working with HUD in formulating urban policy initiatives. Our initial objective is to identify proposals for the FY '79 budget by September 15. The initial reports of our task forces are due soon.

Citizen Action and Volunteerism: Working with Vice President's Staff, ACTION, CSA, HUD and Agriculture on suggestions for national voluntary initiatives and citizen action in cities and rural areas. Option paper early this month.

Neighborhood Commission: Appointments to be made before October 1. Commission can help in proposing policy options for city revitalization.

LABOR

Humphrey-Hawkins: Along with CEA staff, we have reviewed a redraft of our proposed bill received from Humphrey and Hawkins' staff. We remain far apart but intend to pursue the negotiation at the staff level.

MISCELLANEOUS

Foreign Gifts: Working with GSA to prepare draft of guidelines for government agencies regarding receipt of foreign gifts. Memo to you within a few weeks.

**Electrostatic Copy Made
for Preservation Purposes**

THE PRESIDENT HAS SEEN.

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON



**Electronic Copy Made
for Preservation Purposes**

September 6, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: Charlie Schultze *CS*

SUBJECT: Tomorrow's Release of Department of Commerce
Survey of Business Plant and Equipment
Expenditures

Tomorrow afternoon the Department of Commerce will release their survey of business plans to invest in plant and equipment during 1977. The survey was conducted in late July and August.

The survey shows that businessmen plan to spend on plant and equipment 13.3 percent more in 1977 than they did in 1976. (Adjusted for inflation this is about an 8 percent rise, year over year.)

This survey revises upward by 1 percentage point an April-May survey which reported a 12.3 percent spending increase. Since all of the revision came in the last two quarters of the year, the upward revision for those quarters is proportionately larger than for the year as a whole.

The survey, however, is by no means unalloyed good news. In our forecasts for the last half of 1977 we had been counting on an even larger upward revision.

- o adjusted for inflation the survey predicts an increase in plant and equipment investment of 6-1/2 percent from 2Q-1977 to 4Q-1977.
- o our latest forecast of 5 percent economic growth for the second half of the year assumed an 8-8 1/2 percent rise in such investment during that period.
- o thus, the survey falls short of our hopes.

The shortfall is not large, and the survey may be revised upward when it is taken again (November). But at the moment, it adds one more (albeit slight) note of caution to the likelihood of fully achieving the growth in GNP and the fall in unemployment we had been counting on.

THE PRESIDENT HAS SEEN.

U. S. DEPARTMENT OF LABOR

OFFICE OF THE SECRETARY

WASHINGTON

September 6, 1977

MEMORANDUM FOR: THE PRESIDENT

FROM:

SECRETARY OF LABOR *for*

SUBJECT:

BLACK UNEMPLOYMENT

The recent increase in the black unemployment rate has two components:

(1) A long run component which can be expected to remain a problem due to the rapid growth of the potential black labor force. While the employment of both blacks and whites has increased by 20% in the last decade the number of blacks of working age is increasing almost twice as fast as that of whites.

(2) A short run component which is due perhaps to the unbalanced nature of the recovery and to a substantial increase in the labor force participation rate of blacks over the past year.

The long run problem is the serious one and should be the primary focus of our labor market programs. Economic development in the areas where blacks live, along with a full employment economy is the only lasting solution.

In the short run, however, improvements could be made in government programs that affect blacks and low income workers. You should be aware, however, that while these programs can increase the rate of black employment, they may also increase the participation of blacks in the labor force so that the reported rate of unemployment will not decline by as much as employment is increased.

Program Improvements can be classified three ways:

- (1) Planned expansions can be accelerated.
- (2) Existing programs can be expanded.
- (3) Existing programs can be improved.

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Current estimates of the shortfall in federal spending indicate there are ample funds available in the 1977 budget to finance these program improvements.

Finally, let me emphasize that anti-discrimination enforcement is necessary to make sure that progress takes place in the employment of blacks.

Attachment A is a brief summary overview of the black employment data and potential initiatives you might wish to take. Attachment B is a more detailed report on the same subject.

Attachments

Department of Labor Summary Report
on Black Employment

The problem of black unemployment has two parts: (1) a fundamental long run problem; and (2) a less serious short run problem.

Black Unemployment in the Long Run

From 1966 to 1976, black employment grew by roughly the same percentage as white employment despite a much larger rate of growth in the black population of working age.

This imbalance did not cause black unemployment to increase substantially relative to white unemployment because the labor force participation rate for blacks fell sharply. Thus, the black labor force grew more slowly than the black population.

Change in Population, Labor Force and Employment
Between 1966 and 1976

	<u>Black</u>	<u>White</u>
(1) Percentage growth in noninstitutional population age 16 and over	35.9	18.3
(2) Percentage growth in Labor Force	28.3	24.7
(3) Percentage growth in Employment	20.2	20.0

The Short Run Problem

Over the past 12 months, however, black participation grew by .6 percentage points and caused the black labor force to grow by 3.8% over the year. This sudden surge in blacks seeking work is the major determinant of the recent increase in unemployment.

While no one knows whether the surge will continue, it is clear labor force participation by blacks will not decline forever. At some point, the economy will be called upon to provide jobs for a black labor force that is growing at a much more rapid rate than the white labor force. The problem is most severe for black teenagers but is also apparent in the figures for adult black males. (see table 1)

In addition to the large recent growth in the black labor force, black employment increased more slowly than that of whites in the last 12 months. This factor, together with

those mentioned above caused the black unemployment rate to rise by 9 tenths of a point in the past 12 months while the white rate fell a full percentage point during that time.

+ .9%

Combined Effects

The relative importance of these factors is summarized as follows.

- o Black noninstitutional population over 16 years of age grew by 2.7% over the past year while the white population grew by 1.5%. This differential--which has existed for the last decade--can be expected to continue.
- o Labor force participation of nonwhites grew by .6 percentage points over the past year, making the black labor force 1.0% larger than if participation had not changed. Over the same period, white participation grew by .5 percentage points making the white labor force .8% larger than it would have been without this change. The increase in the white participation rate is normal, but the increase in the black rate reverses the long term trend. The participation rate of blacks aged 16 to 21 increased by 20 percentage points between April and July but is still only 80% of that of white youth.
- o Black employment grew by 2.7% over the past year while white employment grew by 3.4%. It would be unusual for such a differential to continue based on historical experience. Part of the explanation for this lies in the unbalanced nature of the current economic recovery, both geographically and by industry.

The differential between the changes in the black and white unemployment rates can be seen in the following table.

Change in Employment and Unemployment Between August 1976 and August 1977

	<u>Black</u>	<u>White</u>
(1) Percentage growth in noninstitutional population over 16 years of age	2.7	1.5
(2) Percentage growth in labor force due to changes in participation rates	1.1	.8
(3) Less percentage points of growth in employment	<u>(2.7)</u>	<u>(3.4)</u>
Change in unemployment rate	+ .9	-1.0

Table 1

Growth Characteristics

Black and White Population Labor Force Employment

White

Black

Percent change 1966-1976

Total Male 20+ Female 20+ Teen Total Male 20+ Female 20+ Teen

Civilian
Noninstitu-
tional Popu-
lation

18.3 19.2 17.8 17.6 35.9 32.0 37.3 43.0

Labor Force

24.7 14.5 40.4 37.9 28.3 19.7 39.9 27.7

Participation

5.5 -3.8 19.1 17.3 -5.6 -9.4 2.1 -10.5

Employment

20.0 10.9 35.3 29.1 20.2 12.5 32.9 7.7

Current Programs

CETA is the primary Federal program aimed at alleviating the problem of unemployment for both blacks and whites. When passed in 1973 CETA represented a reversal of the highly centralized categorical approach employed in earlier legislation such as MDTA. CETA was decentralized. Block grants to state and local authorities enabled them to design and operate programs suited to meet the needs of their local constituencies.

CETA's decentralization, however, limited Federal targeting of aid. During the first three years under CETA the percentage of participation by blacks in CETA programs fell from previous MDTA levels.

The 1976 CETA amendments and the expansion of CETA contained in the Administration's stimulus package have made CETA more targeted. Black participation under the various titles has increased. As CETA programs expand further, targeting, and thus minority participation, will increase.

New Possibilities

The policy stands taken by the President in response to the high increase in black unemployment should:

- (1) Provide quick and visible results.
- (2) Be the initial step towards a long run solution;
and
- (3) Be consistent with the Administration's basic fiscal strategy.

Thus, the policy stand should not require substantive legislation. There are basically three options:

- (1) Hasten things we were going to do anyway;
- (2) Expand existing programs;
- (3) Improve administration of existing programs.

Options Which Hasten Implementation of Planned Programs

Option 1 - Continue the buildup of Title VI and II type PSE jobs instead of stopping, as currently planned, at 725,000 slots in February of 1978.

If the buildup continues at the rate of 30,000 a month, the planned ceiling of 1,450,000 slots for welfare reform and countercyclical PSE would be reached in February 1980. That additional buildup would cost about \$750,000,000 in FY 1978. We could either ask for a 77 supplemental or for a supplemental in 1978. The accelerated buildup would not alter the 1981 budget, but would provide some extra stimulus early, and thus, improve the chances of achieving full employment in 1981.

*Hasten
Work part
of BTIP* Option 2 - Accelerated implementation of welfare reform either separately or as part of option 1.

We could test welfare reform by accelerating implementation in areas with especially high unemployment rates. This test would replace our current request for \$255,000,000 for demonstration projects and we could use those monies to saturate target areas and to provide guarantees to principal earners and families with children.

Expand Present Programs

Option 1 - Expand youth programs in FY 1978.

The President's budget request for the Department of Labor for FY 1978 included an additional \$500,000,000 for youth programs to be conducted under the recently enacted Youth Employment and Demonstration Projects Act. Neither the House or the Senate included the additional \$500,000,000 requested by the President. A supplemental appropriation would be necessary for these funds.

Option 2 - Apprenticeship legislation.

The Department of Labor is well advanced in the preparation of proposed legislative initiatives to expand, improve and modernize apprenticeship training efforts. Current draft legislation has been distributed to the Federal Committee on Apprenticeship for review and comment. The review process can be expedited to allow for early introduction of an appropriate amendment to the National Apprenticeship Act at the beginning of the 2nd Session of the 95th Congress. The draft bill is designed to expand apprenticeship opportunities, particularly for minority youth, young veterans, and women in both the private and public sector of the labor force.

Improvement of Existing Programs

Option 1 - A targeted supplement for additional materials, equipment, and supervision

The current Title VI program allows 15% overhead. Even under welfare reform we are only allowing 30% for fringes and overhead.

The Administration could seek additional funds to pay for equipment and supervision for HUD or Commerce-approved projects that use CETA employees as part of a comprehensive plan for disadvantaged communities.

Option 2 - Improve targeting of FY 1978 CETA Discretionary Funds

Based on the conference report for the DOL HEW appropriations for 1978, the Secretary of Labor has access to approximately \$277,500,000 of discretionary funds. The Department will reexamine current plans for deployment of all discretionary resources (including those currently available under Title III, part 3 to more sharply focus their use on activities targeted towards alleviating the unemployment problems of minority youth. However, it must be recognized that the options are severely limited for reprogramming the current anticipated levels of funding due to multi year commitments and legislative mandates.

Summary

The Department of Labor will move as rapidly as possible to implement the Youth Employment and Demonstration Projects Act of 1977, utilizing funds currently available. We will also admonish the units of State and local government who are prime sponsors under the Comprehensive Employment and Training Act to more vigorously pursue local programs and policies that target resources and programs to minority youth. We recommend that serious consideration be given to the additional initiatives and options suggested above and described more fully in Attachment B.

It must be recognized, however, that adoption of the suggested initiatives would call for substantial additional budget authority in Fiscal Years 1978 and 1979. In addition to approximately \$8.0 billion in Fiscal Year 1979 to ultimately increase and sustain the public service employment programs under the Comprehensive Employment and Training Act to a level of 1.4 million participants (which is the level anticipated under the proposed Better Jobs and Income Act), we are proposing that the \$1.7 billion that you had previously requested for Fiscal Year 1978 for youth programs and for public service employment programs be added in a supplemental request for Fiscal Year 1978. This amount would provide for approximately 115,000 additional jobs and training opportunities for minority youth. Further, we are suggesting that you consider adding another \$750,000,000 in the supplemental for the Youth Employment and Training Programs under subpart 3 of Part C of CETA Title III. These funds would provide approximately 125,000 additional employment and training positions for youth, the majority of whom would be members of the minorities, by the end of Fiscal year 1978.

In addition to the above Fiscal Year 1978 budgetary and cost considerations, adoption of these initiatives would have serious implications on the Funding levels required for Fiscal Year 1979. While some of the program initiatives can be phased down as general economic conditions improve, there would be an implicit requirement to request supplementary Fiscal Year 1979 funding to carry forward and/or phase down program activities during the last part of that year. However, given current estimates of the size of the shortfall in federal spending, there are ample funds available for financing these program improvements.

ANALYSIS OF YOUTH UNEMPLOYMENT
PROGRAM RESPONSES; ADDITIONAL
INITIATIVES AND OPTIONS

Analysis of Youth Unemployment

The employment situation among black Americans in general, and black youth in particular, is serious. Although the just released August jobless rate for blacks of 14.5 percent was especially bad, this should be viewed in the context of developments over the past several months, in which all of the improving labor market developments occurred among white workers. The situation for blacks first stood still and then deteriorated to the point where their unemployment rate in August equaled its postwar high reached in September 1975. Whites, by contrast, with an overall rate of 6.1 percent in August, were more than 2 percentage points below their 1975 record high. Thus, the black rate has soared to 2.4 times the white rate; this ratio had been less than 2 to 1 during most of the 1970's.

*1.7
Black
unemp*
Black workers represent some 1.7 million, or 24 percent, of the 6.9 million unsuccessful job seekers in the Nation. You might recall that blacks represent only 12 percent of our working age population, which underlines still more the disproportionality of their job market bind.

In addition to blacks, youth are affected more severely than other worker groups by the inability to find jobs. Although it remained virtually unchanged at 17.5 percent in August, the jobless rate for teenagers is down only slightly from the 18.2 to 20.8 percent marks recorded during 1975 and 1976.

For black teenagers, the combination of youth and minority race membership has been a double burden. Their jobless rate hovers around 40 percent, the highest found among worker groups.

Black workers

In August, jobless rates rose for both black men -- to 11.7 percent -- and black women -- to 12.2 percent. The rate for black teenagers "remained" at just over 40 percent. By marked contrast, there was little change in the ever so much lower unemployment rates among white men (4.5 percent), women (6.3 percent), or teenagers (14.7 percent). Since April, the jobless rate for white workers has declined modestly from 6.3 to 6.1 percent. During the same period, the rate for blacks rose from 12.3 to 14.5 percent. As a result of these developments, the ratio of black-to-white jobless rates has risen to 2.4 to 1 in August, an unusually high level. The

relationship generally held at 2 to 1 or more during the 1950's and 60's, while for most of the 1970's, the ratio has been slightly less than 2 to 1.

Factors responsible for this recent worsening in the disparity between black and white unemployment are difficult to identify. One factor is suggested, however, by recent months' labor market developments. During the same period that the black-to-white unemployment rate differential has been widening, there has been a surge in the participation of black workers in the labor force. Since April, the black participation rate has risen from 59.2 to 60.3 percent, while that for whites edged up from 62.4 to 62.6 percent. Thus, there was a 3-percent increase in the number of black workers entering the labor force during the four month period, compared with a less than 1-percent increase among their white counterparts -- resulting in a narrowing in the gap in participation. This development suggests that a large number of blacks who had not been participating in the labor force were encouraged over job prospects by the solid labor market improvement which occurred in late 1976 and early 1977. This rise in job expectations apparently brought more workers into the job market than could be accommodated with jobs. Thus, while the number of employed blacks was about unchanged between April and August, the number of unemployed black workers rose by 300,000.

Aside from this recent worsening in the black-white unemployment situation, it is well to bear in mind that blacks as well as other minority races historically have constituted a disproportionate share of the unemployed. Thus, as noted earlier, in August 1977, although blacks comprised only 12 percent of the working age population, they made up 24 percent of the unemployed.

Following are three factors, other than discrimination, which contribute to this differential: 1) The concentration of black workers in central cities and their disproportionate representation in the Nation's poverty areas; 2) Their gap in levels of education attainment; and 3) The overrepresentation of blacks in low-paying, less-skilled jobs. These points are amplified below.

Unemployed blacks tend to be concentrated in small geographic areas to a greater extent than whites, and, to the extent that there are fewer jobs available in these areas, this situation

exacerbates the problem. About 60 percent of the Nation's unemployed blacks live in the central cities, most of them within the low income areas of these cities. Thus, in the second quarter of 1977, there were about 845,000 unemployed blacks living in the central cities. Among whites there is much greater dispersion -- about 40 percent of the unemployed whites live in suburban areas and another 30 percent live outside of metropolitan areas. Not only is black unemployment concentrated in central cities in general, it is located in some specific cities, mainly in the northeast and midwest. In 1976, one-fifth of the Nation's unemployed blacks -- or 315,000 persons -- lived in nine major central cities -- Baltimore, Chicago, Cleveland, Detroit, Milwaukee, New York, Philadelphia, St. Louis, and Washington, D.C.

With respect to educational attainment, the proportion of black workers who have completed four years of high school or more remains lower than for whites. In 1976, the proportion of blacks with at least a high school education was 60 percent, compared to 74 percent of white workers. Unfortunately, the available statistics do not shed any light on the relative quality of the schooling attained by black and white workers, but we suspect that blacks fare poorly in this regard.

A third factor relating to the differential is that, despite a significant amount of occupational upgrading which has occurred among black workers in the late sixties and the seventies, black workers still lag far behind in the proportion holding higher - paying, high-status jobs, and are overrepresented in lower-paying, less-skilled jobs, which are more often characterized by high turnover and incidence of unemployment. In 1976, for example, the proportion of black men employed in the relatively stable white-collar occupations was 21 percent, less than half the proportion of white workers. At the lower end of the skills spectrum, 32 percent of employed black men (more than twice the white proportion) were working as laborers or as service workers, occupations subject to higher than average jobless rates.

Youth

The Nation's youth face severe difficulties in finding good jobs. Because of their age, they tend to have little experience and few marketable skills. Perhaps the best statistical indicator of their problem is the fact that teenagers account for about one-tenth of the Nation's labor

force but almost one-quarter of the unemployed. Teenagers tend to have the most difficulty finding jobs within the central cities; employment opportunities are more favorable in nonmetropolitan areas. The very high jobless rate for black youth is thus partially explained by their concentration in the central cities; about 60 percent of all unemployed black teenagers -- a total of some 225,000 -- live in the central cities.

Both school attendance and lack of school attendance contribute the labor force problems of young people. Those in school often have constraints on the hours they can work, which may prevent them from obtaining jobs; while this point may not represent a national policy problem, it does help explain the higher incidence of youth joblessness. Of those young people who are not in school, many left before completing high school and thus do not have the credentials or the skills which employers often require. During the 1970's the unemployment rate of young dropouts has been about 10 percentage points higher than that of recent high school graduates.

In the summertime, of course, most young people are available for full-time work. However, for those intending to return to school, the job must be temporary, and for all, it must only require the skills and experience they possess. Each summer the economy tries to cope with the influx of young people entering the labor force, which this year totaled 3.8 million. Jobs are provided by the government, through CETA and other programs, through the job placement efforts of such private concerns as the National Alliance of Businessmen, and by those areas of the private sector who have traditionally sought young people in the summer, including construction, recreation, and replacement for vacationing personnel. While a record number of young people found jobs this summer, it appears that a disproportionate share of the jobs were filled by white youth, and thus the unemployment rate for blacks 16 to 21 years of age reached its highest summertime (July) rate -- 2.8 times that for young whites.

Geographic distribution of the population and the unemployed, second quarter 1977, not seasonally adjusted.

(Numbers in thousands)

Areas	Total, 16 years and over						Teenagers 16 - 19 years of age					
	White			Black			White teenagers			Black teenagers		
	Popu- lation	Unemploy- ment	Unemploy- ment rate	Popu- lation	Unemploy- ment	Unemploy- ment rate	Popu- lation	Unemploy- ment	Unemploy- ment rate	Popu- lation	Unemploy- ment	Unemploy- ment rate
<u>Levels</u>												
Total.....	137,332	5,297	6.2	18,761	1,426	12.8	13,983	1,360	16.1	2,493	372	40.5
Central City.....	34,769	1,452	6.8	10,437	845	13.9	3,102	316	17.7	1,350	227	47.6
Poverty.....	3,676	205	10.7	4,604	380	16.7	346	34	21.7	657	101	49.6
Non poverty.....	31,093	1,247	6.5	5,833	465	12.2	2,756	282	17.3	693	126	46.4
Suburbs.....	56,991	2,187	5.9	3,900	283	11.2	6,072	573	15.1	520	76	37.1
Poverty.....	2,311	104	7.8	889	78	16.1	230	22	18.0	126	25	51.0
Non poverty.....	54,680	2,083	5.8	3,011	205	10.0	5,842	551	15.0	394	51	32.7
Nonmetropolitan areas..	45,572	1,658	6.0	4,424	298	11.7	4,809	471	16.4	623	69	29.2
Poverty.....	14,455	455	5.5	3,002	194	11.8	1,442	132	16.6	426	42	27.9
Non poverty.....	31,117	1,203	6.2	1,422	104	11.3	3,367	339	16.3	197	27	30.7
<u>Percentage distribution</u>												
Total.....	100.0	100.0	-	100.0	100.0	-	100.0	100.0	-	100.0	100.0	-
Central City.....	25.3	27.4	-	55.6	59.3	-	22.2	23.2	-	54.2	61.0	-
Poverty.....	2.7	3.9	-	24.5	26.6	-	2.5	2.5	-	26.4	27.2	-
Non poverty.....	22.6	23.5	-	31.1	32.6	-	19.7	20.7	-	27.8	33.9	-
Suburbs.....	41.5	41.3	-	20.8	19.8	-	43.4	42.1	-	20.9	20.4	-
Poverty.....	1.7	2.0	-	4.7	5.5	-	1.6	1.6	-	5.1	6.7	-
Non poverty.....	39.8	39.3	-	16.0	14.4	-	41.8	40.5	-	15.8	13.7	-
Nonmetropolitan areas..	33.2	31.3	-	23.6	20.9	-	34.4	34.6	-	25.0	18.5	-
Poverty.....	10.5	8.6	-	16.0	13.6	-	10.3	9.7	-	17.1	11.3	-
Non poverty.....	22.7	22.7	-	7.6	7.3	-	24.1	24.9	-	7.9	7.3	-

Program Responses

The Comprehensive Employment and Training Act (CETA) of 1973, as amended, provides the statutory base for ameliorating the economic distress of structurally and cyclically unemployed workers. CETA authorizes a broad spectrum of employability enhancing activities as well as skill training and public service jobs. Currently funded at \$12.8 billion, CETA will serve 5.6 million persons in FY 1978. More significant in the context of the current focus on programs designed to impact the unemployed youth problem, and more particularly minority youth unemployment problems, about 55 percent or 3.1 million of the persons to be served by CETA programs will be young persons. Current goals call for the participation in these programs by 1.8 million minority youths--nearly 60 percent of the young persons served. This compares with the 20 percent representation of minority youths among young people who were unemployed during the 12 months ending July 1977.

The President's FY 1978 budget (now before Congress) includes an additional \$1.7 billion for CETA activities, \$1.2 billion of which was originally proposed for public service jobs and \$500 million is targeted for CETA youth activities, under the provisions of YEDPA.

The following paragraphs detail the nature of the major CETA programs, the levels of funding, and the participant coverage:

Title I of CETA authorized a wide variety of activities designed to assist disadvantaged persons to compete successfully in the job market, such as classroom and on-the-job training as well as practical work experience and supportive services, including counseling. Currently funded at \$1.880 billion (the same level proposed for FY 1978), an estimated 1,730,000 persons will be served by Title I programs including 865,000 youths, of whom 520,000 or 60 percent are expected to be minority youths.

Titles II and VI of CETA provide transitional public service employment opportunities for the disadvantaged, unemployed and underemployed. A total of \$8.387 billion is currently available to fund 1,742,000 public service jobs through the end of FY 1978. (The system is currently in the process of expanding this activity from the original FY 1977 program level of 310,000 PSE jobs.) The principal target of the PSE jobs program is the large number of unemployed workers with previous labor force attachment. As a consequence, the

participation rate of young people in PSE activities, at about 20 percent of all participants, is not as great as in Title I programs (60 percent). Of the 1,742,000 PSE jobs, about 340,000 are expected to be filled by youths--of which about 136,000 will be minority young persons.

Title III of CETA provides for "special Federal responsibilities"-type activities. These include Indian (Native American) manpower programs, services for migrants and seasonal farmworkers, youth programs, special activities for middle-aged and older workers, etc. Approximately \$220 million of Title III funds (exclusive of YEDPA) is targeted for a series of youth activities, involving 75,000 young persons, 40 percent of whom will be minorities.

Title IV of CETA authorized the Job Corps, a program featuring residential and nonresidential centers in which enrollees participate in intensive programs for classroom and vocational education, as well as work experience. The Job Corps is in the process of doubling its program--moving from 60 centers currently to a planned 1000 centers with a target of about 65,000 youths served, 47,000 of whom (nearly 75 percent) will be minority race youths.

The Youth Employment and Demonstration Projects Act (YEDPA) of 1977, which was signed into law in early August 1977, added a new Title VIII to CETA, as well as a number of experimental or demonstration programs under a new Part C of Title III. Currently budgeted at \$1.0 billion, funding for the new youth programs is expected to increase by another \$500 million. At the \$1.0 billion level, a total of 443,000 youths are expected to participate in the various new youth programs. About 60 percent or 265,000 of the young persons will be minority race members. The following paragraphs reflect planning of these new youth activities:

The Young Adult Conservation Corps authorized by the new Title VIII will absorb about one-fourth of the \$1 billion. Funded at \$233 million for FY 1977-78, this activity will provide for conservation work on Federal and nonfederal lands and waters. About 23,000 "slots" are targeted for this activity and it is expected that as many as 46,000 young adults will participate in these works. It is expected that the targeted slot level will be reached within 6 months. The anticipated supplemental appropriation will increase this activity by 50 percent.

The Youth Incentive Entitlement Pilot Projects (YIEPP) component of the new Part C of Title III is funded at \$115 million. The purpose of this activity is to demonstrate whether it is feasible to guarantee jobs for 16-19 year-old economically disadvantaged youths who are in school or are willing to return to school, and whether the jobs will increase high school retention, return and completion. With the school year already started, this program is currently scheduled to begin in January 1978 and will involve about 37,000 participants in 19,200 slots. Passage of the expected supplemental appropriation will provide for a 50 percent increase in this program.

The Youth Community Conservation and Training Programs (YCCTP) component under Part C of Title III establishes community conservation and improvement projects to provide employment, work experience, skill training and opportunities for community service to eligible youth for a period not to exceed one year. This activity is budgeted at \$115 million, will start up in the late fall with slot level of 22,600; however, the number of participants is likely to exceed 50,000. The expected supplemental budget appropriation will contribute to a 50 percent expansion of this activity.

The Youth Employment and Training Programs (YETP) component of Part C supplements but does not replace Title I activities. It is designed to make a significant long-term impact on the structural unemployment problems of youth and, as a consequence, is funded at \$537 million. About 310,000 young persons (principally 16-21 year-olds) are expected to participate in this component. The expected supplemental budget will provide for a 50 percent increase in participation by young persons.

SUMMER YOUTH PROGRAM--Undoubtedly the largest single CETA activity affecting youths, this program provides for about 9 weeks of work experience and training for 1.1 million young persons during the summer months. A total of about 660,000 young minority members participate in this program. The overall funding level is \$618 million.

Other special summer programs for youths include jobs for about 42,000 in various Federal Executive agencies at a cost of about \$45 million; in addition the Departments of Agriculture and Interior fund at a cost of \$30 million, will again conduct the Youth Conservation Corps (YCC) program. The YCC involves jobs for about 24,000 young persons. Under arrangements with the Department of Labor, the National Alliance of Businessmen place about 237,000 youths in private sector jobs during the summer months, while the State employment service offices affiliated with the Department of Labor placed an additional 400,000 youths in summer jobs.

APPRENTICESHIP PROGRAM--Of the 255,000 apprentices in programs registered with DOL's Bureau of Apprenticeship and Training, 46,200 or nearly 20 percent are minority youths. The BAT is currently in the process of negotiating with labor and management to establish new apprenticeship programs in "nontraditional" industries, for example, with the health oriented industries. Expansion of apprenticeship activities into these new fields will afford added opportunities for minority youth to participate in training activities leading to meaningful jobs in the crafts and higher skilled occupations. To facilitate recruitment for minority youth, DOL conducts extensive programs of Apprenticeship Outreach to counsel and tutor minority youth to pass apprenticeship entrance examinations.

United States Employment Service--A wide variety of services are provided to jobseekers by the 2,400 local offices of the State employment services affiliated with the USES. During the course of the year, it is expected that about 1.6 million will be placed in jobs through public employment service offices. Minority youths are expected to represent 31 percent of the young persons placed in jobs.

Work Incentive Program--The WIN program helps people on Aid to Families with Dependent Children find jobs either directly upon registration or after training and work experience. WIN for FY 1978 will be funded at \$398 million and will serve 1.3 million persons, of whom 200,000 are expected to be eligible young persons. About one-half of the youths will be minority youths.

SELECTED EMPLOYMENT AND TRAINING STATISTICS - FY 1978

Program	Funding (Millions)	Persons Served (000's)		
		Total	Total	Youth Minority
CETA Title				
I	\$1,880	1,730	865	520
II & VI	8,387 ^{1/}	1,742	340	136
Summer	618 ^{2/}	1,100	1,100	660
IV Job Corps	417	65	65	47
Youth	1,000	443	443	266
Young Adult Conservation Corps	(233)	(46)	(46)	-
Youth Incentive Entitlement Pilot Projects	(115)	(37)	(37)	-
Youth Community Conservation and Improve- ment Projects	(115)	(50)	(50)	-
Youth Employment and Training Programs	(537)	(310)	(310)	-

Program	Funding (Millions)	Persons Served (000's)		
		Total	Total Youth	Minority
III National Programs	220	125	75	30
Indians	157 ^{3/}	87 ^{3/}	23 ^{3/}	23 ^{3/}
Migrants and Seasonal Farmworkers	75	290	145	116
Total	12,754	5,582	3,056	1,798
* * *	* *	*	*	*
Apprentice-ship	-	255	255	46
USES Placements	-	3,800	1,600	500
WIN	398	1,300	200	100

1/ FY 1977 and FY 1978

2/ FY 1977

3/ FY 1977 plus \$15 million
new initiatives funding

ACCELERATED IMPLEMENTATION OF YOUTH
EMPLOYMENT AND DEMONSTRATION PROJECTS ACT
OF 1977--PUBLIC LAW 95-93

Background

The YEDPA was signed into law on August 5, 1977. Subsequent to that date, intensive staff work (which had begun in early July) has been devoted to implementation plans for the Act.

The current schedule for implementing the Act calls for the Young Adult Conservation Corps (Title VIII of CETA) to begin phased implementation on October 1 with ETA publication of YACC regulations (as proposed rulemaking) scheduled for about September 30. Interagency agreements with Agriculture and Interior were signed on August 25 with initial transfer of funds scheduled for September 1.

The schedule for the New Part C of Title III of CETA is: Subpart 1--the Sarasin Incentive Entitlement Pilot Program--calls for issuance of an REP to CETA prime sponsors the first week of October with final project selection by December 15. The projects would come on-stream in early to mid-January 1978.

Subpart 2 (Stafford's YCCIP) and subpart 3 (the YETP) would have regulations published as proposed rulemaking during the first week of October with final rulemaking publication about November 15. Grants for these two subparts would be funded by December 31 (as early as November 15 for some prime sponsors) with enrollment beginning not later than January 1, 1978.

Suggestions for Acceleration

YACC: Only modest options exist for acceleration of the YACC; initial YACC enrollment is scheduled for October 1. ETA will publish the YACC regulations not later than September 30--effective immediately, subject to revision (not as proposed rulemaking). Acceleration of the ETA responsibilities (regulations, field directives, staff training, etc.) will show positive action by DOL and the Administration.

Title III, Part C

Subpart 1, YIEPP: There is no way that the Sarasin Incentive Entitlement Projects efforts can be accelerated. The optimum start-up time is the beginning of the second semester of the school year. Pre-applications for YIEPP were distributed on

September 6. If possible, the issuance of the REP will be moved ahead to mid-September from the current planned date of the first week of October. This will also accelerate the submittal of project proposals to a date of October 15 or November 1. The time span for selection of projects, currently scheduled for November 16 through December 15, can be shortened to a 2-week period so that final selection of projects may be accomplished by mid-November or, at the latest, December 1. Contracts (grants) could then be issued by December 15, allowing the prime sponsors to establish the management structure, train staff, and be geared up for instant enrollment at the beginning of the second semester. Project selection can emphasize those prime sponsor areas having high concentrations of minority unemployment. Programmatically this doesn't accelerate enrollment, but should make prime sponsor project start-up smoother and more rapid after the new semester begins. The current schedule does not allow for the project start-up time that the sponsors will need between the issuance of the contract (grant) and the initial enrollment date.

Subpart 2 (YCCIP) and subpart 3 (YETP): Considerable acceleration of effort is possible for these two subparts. First and foremost, publication of regulations can be moved up and made effective immediately (instead of as proposed rule-making with a 30 day comment period). Two drafts have already been circulated for review and comment. Preparation of the final draft will be expedited and the regulations will be published by September 23, effective immediately subject to future revision. A second major savings in time can be achieved by getting the grant package out by September 15 (as opposed to the initial planned date of September 30). Prime sponsor planning time can be shortened from 6 weeks to 4 (with certain required consultations taking place concurrently with regional office review) moving the plan submittal deadline ahead to October 15. Regional office review and funding time can also be accelerated and compressed so that enrollees can begin entering the programs not later than November 15 for the last prime sponsors funded. With the regulations published on September 23, those prime sponsors who are "ready to go" could conceivably have plans submitted, approved, and funded as early as October 15. This compressed timeframe assumes that the prime sponsor plans may be subject to substantial modification in the early months, imposing an additional workload burden on the regional offices. It is suggested that the gains for the Department and the Administration in terms of public image and credibility more than offset the impacts of "lack of program purity" and increased regional and national office workloads.

Further, if the President's request for full-funding of YEDPA at the \$1.5 billion level is accepted (see item 1 of the Additional Initiatives/Options below), the prime sponsors can develop their plans on the basis of full-funding. In its

technical assistance and planning guidance documents, the Department of Labor can admonish the prime sponsors to pay particular attention to Black youth in their program planning, to utilize Community Based Organizations (particularly OIC and Urban League) who emphasize services to young Blacks, and to short-cut the time consuming consultation process in plan development by having local consultations (CBOs and Labor) and State review take place concurrently with regional office review and approval of plans.

It is possible to further compress the implementation time for subparts 2 and 3 by making these funds available to the prime sponsors by using a simplified start-up grant, subject to modification upon approval of the final plan submitted by the prime sponsor. Under this option, the Secretary would announce in the Federal Register of September 9 or 16 the final prime sponsor allocations and outline the Department's plan for initial grants. An abbreviated start-up grant document in TWX format would be used to obligate funds upon return of a signed TWX. Appended to the TWX from the Secretary would be a minimal list of operating requirements and the necessary assurances and certifications covering the basic requirements of the Act. The TWX would be transmitted to the prime sponsors on or about the 19th of September with a date of return to the Secretary of Labor about September 23, the date of publication of regulations in the Federal Register. Some of the additional requirements contained in the final regulations can be waived from the initial start-up grant by a provision that final and full grant plans "will be subject to such conditions and modifications as the Secretary may require."

Another time compression that must be explored with the Congressional supporters of YEDPA concerns the necessity for time-consuming consultations with Community Based Organizations and local Labor organizations. CBOs are to be afforded "special consideration" under the subpart 3 YETP activities and organized labor must be consulted on wage provisions governing subpart 2 (YCCIP) as well as subpart 3. Current draft regulations for both subparts 2 and 3 call for a thirty day comment period for CBOs and unions prior to the time the plan is submitted to the Department of Labor. The Department could expedite plan implementation by having the review by CBOs and labor organizations take place concurrently with regional office plan review and approval. There is no legislative requirement that the labor and CBO review be completed prior to plan submittal: only that CBOs receive special consideration and that labor be consulted on wage issues.

If a local impasse arises on wage issues (or on issues of restructuring occupations) the Secretary of Labor has thirty days to resolve the issue--but implementation of the balance of the prime sponsors plan that is not at question in the impasse could proceed.

In order to provide the maximum opportunities to youth, particularly minority youth under the YEDPA and under the on-going efforts of CETA, the Department intends to strictly monitor and enforce the provisions of YEDPA that call for no diminution of services to youth provided by the prime sponsors under Title I of CETA. Regulatory language will be tightened to ensure that not only the relative number of youth currently receiving Title I services as a percentage of all participants will not be diminished, but also that the quality and type of services offered will not be diluted. Strict enforcement of these maintenance of effort provisions should enhance the level of training and employment opportunities made available to unemployed youth.

ADDITIONAL INITIATIVES/OPTIONS:

1. Funding for Youth programs in Fiscal Year 1978 - appropriations:

The President's budget request for Department of Labor appropriations for Fiscal Year 1978 included an additional \$500 million for the youth programs to be conducted under the recently enacted Youth Employment and Demonstration Project Act. This request for \$500 million, together with the \$1 billion appropriated for Youth initiatives under the Economic Stimulus Appropriations Act, would provide the full funding anticipated by the Administration and Congress for the YEDPA programs.

In consideration of the DOL/HEW appropriations bill, neither the House nor the Senate included the additional \$500 million requested by the President. The appropriations bill has not as yet cleared Congress and it is still possible for an amendment to be offered, adding the requested full funding amount of \$500 million.

It is recommended that the President send an urgent message to Congress requesting appropriations of the full amount requested for youth programs as an amendment to the Conference bill on DOL/HEW appropriations. The Presidential message would indicate that the additional \$500 million requested would be used for FY 1978 outlays -- not carried forward to the FY 1979 outlays.

With the Congressional intent to adjourn in mid-October, and the necessity for Congress to pass an appropriations bill for DOL/DHEW prior to adjournment (or a continuing resolution for the two Departments), the probability for securing the full-funding levels of budget authority are reasonably good. The Appropriations Committee did not consider the requested \$500 million primarily because the outlays for youth programs did not, in their judgement, warrant additional funding at the time the appropriations bill was being considered. At this time, with a strong Administration commitment, full-funding would seem justified. Should the Conference bill for DOL/DHEW appropriations successfully clear Congress, the \$500 million could be adopted as a floor amendment (assuming that the leadership can avoid a point of order). Should FY 1978 funding for DOL and DHEW be provided under a continuing resolution, appropriate language and budget authority could be provided in the resolution.

In either case, a Presidential message should be sent to Congress requesting the additional \$500 million to be added in accordance with the President's original request, with a Presidential commitment that outlays would occur in FY 1978.

2. Funding for public service employment programs in Fiscal Year 1978 - appropriations:

The President's budget request for DOL appropriations also included an additional \$1.2 billion for FY 1978 to sustain and expand public service employment program levels. Again, the Appropriations Committees did not act on this request and the Conference Report on DOL/DHEW appropriations does not include these funds requested by the President.

It is recommended that the President send an urgent message to Congress asking that the full amount initially requested for public service employment appropriations be provided as an amendment to the DOL/DHEW appropriations bill (or continuing resolution). Again, the Presidential message should indicate that the PSE expansion under the Economic Stimulus appropriation has moved forward more rapidly than anticipated and that the CETA system can absorb the additional \$1.2 billion in budget authority for FY 1979 outlay.

The Appropriations Committees did not provide the requested \$1.2 billion primarily because of the rapid action on the Economic Stimulus Appropriations bill and the concern that the funds could not be utilized by the CETA system during FY 1978. The PSE build-up has, however, proceeded on or ahead of schedule and the system can readily absorb the additional \$1.2 billion which the President originally requested.

3. Fiscal Year 1978 supplemental funding for Youth programs:

By January, 1978, the YEDPA programs for youth should be rapidly expanding. All funds should have been obligated, except for small residual amounts held in reserve for discretionary purposes. At the time the President submits his budget requests for Fiscal Year 1979, it is recommended that a request for a Fiscal Year 1978 supplemental be transmitted to provide additional funding for the part C subpart 3 (YETP) program which is best suited to target resources to minority youth. The Youth Employment and Training Programs under Part C subpart 3 of title III of CETA have appropriations authorizations only for FY 1978. The supplemental request should include language limiting its use to Part C subpart 3.

The FY 1978 supplemental should be requested to carry forward and expand the program initiatives, thus allowing Congress adequate time for consideration of legislation extending CETA authorizations for FY 1979 and 1980. The Department of Labor does not plan major modifications of the title III Part C programs in its proposals for CETA extension; therefore, the supplemental funding request would be used under current legislative authority and would not disrupt local program activities.

It is reasonable to assume that the CETA system could absorb supplementary youth outlays of approximately \$750 million during the balance of FY 1978 thus avoiding carry-over of outlays into FY 1979. This would provide jobs or training slots for approximately 125,000 additional young people.

4. Continued Build-up of Public Service Employment -
Through FY 1980:

The Administration's Welfare Reform proposal calls for a subsidized jobs program of 1.4 million positions in FY 1980. The current public service employment programs under Titles II and VI of CETA are targeted at a level of 725,000 to be attained during FY 1978. The current expansion rate is approximately 30,000 positions per month.

By maintaining the 30,000 slot expansion per month rate through FY 1979, public service employment levels can approximate the target level of 1.4 million participants by FY 1980.

It is recommended that the Administration move forward with sufficient funding to allow the expansion of public service employment under the authorities of CETA Titles II and VI to reach the anticipated 1.4 million level by the beginning of FY 1980. The expansion rate of 30,000 per month should be sustained through FY 1979 to attain this goal. Amendments in the CETA reauthorization next year would move the participant eligibility toward that proposed in the Better Jobs and Income Act. Thus, participant eligibility for the expanded PSE program would be more responsive to the needs of unemployed minorities.

This recommendation is consonant with item 2 above - requesting the restoration of the \$1.2 billion initially requested by the President for FY 1978 Public Service Employment programs. However, to fully fund a sustained expansion program of 30,000 positions per month would require the submittal of a FY 1978 supplementary budget request for CETA Titles II and VI in early January (at the time of sending the FY 1979 budget message to Congress) as well as FY 1979 funding requests sufficient to sustain and expand the Economic Stimulus PSE expansion levels (current budgetary plans call for a phase down and cut-back

in the PSE levels established by the Economic Stimulus Appropriation bill).

5. Targeting of Welfare Demonstration Project Supplemental Funds:

A Department of Labor request for \$255 million in supplemental funds to establish demonstration projects testing the concepts of welfare reform (as set forth in the Better Jobs and Income Act concepts) is currently pending. This request includes \$250 million for demonstration projects and \$5 million for associated research efforts. It is recommended that the pending request be expedited and that the demonstration monies be utilized in such a manner to target on welfare-eligible youth and to re-enforce and accelerate other DOL and Administration activities targeted toward minority youth.

6. Targeting of FY 1978 CETA Discretionary Funds:

Based on the Conference Report for the DOL/HEW appropriations for FY 1978, the Secretary of Labor will have access to approximately \$277.5 million of discretionary funds. Conference Report language and current DOL plans for utilization of these funds would call for approximately \$285.5 million in discretionary accounts. Should additional funds be made available to DOL through the recommendations in items 1,2,3 and 4 above, additional discretionary resources would be made available under Title II, Title III C, and Title VI to partially meet the current short fall and to target discretionary activities under those titles toward programs and areas of high incidence of minority youth unemployment. Should additional discretionary funding not be available, the Department will re-examine current plans for deployment of all discretionary resources (including those currently available under Title III, Part C) to more sharply focus their use on activities targeted toward alleviating unemployment problems of minority youth: However, it must be recognized that options are severely limited for reprogramming the current anticipated levels of funding due to multi-year commitments and legislative mandates.

7. Apprenticeship Legislation:

The Department of Labor is well advanced in the preparation of proposed legislative initiatives to expand, improve, and modernize the Apprenticeship training efforts of the

Nation. The Fitzgerald Act was signed into law 40 years ago; it is appropriate to reexamine this legislative base of the apprenticeship programs at this time.

Current draft legislation has been distributed to the Federal Committee on Apprenticeship for review and comment. The review process can be expedited to allow for early introduction of appropriate amendments to the National Apprenticeship Act at the beginning of the second session of the 95th Congress or, if desired, prior to the mid-October adjournment date for the first session.

The draft apprenticeship legislation would call for: financial incentives to State Apprenticeship Agencies and to local multi-trade apprenticeship councils; establishment of national standards for apprentices programs recognized by all State agencies; authority for reimbursement of certain costs of apprenticeship training to apprenticeship councils and to employers of apprentices in emerging occupations and in critical shortage occupations; and a program of ceiling-exempt (for the first 2 years) apprenticeships in the Federal agencies. The draft bill is designed to expand apprenticeship opportunities particularly for minority youth, young veterans, and women in both the private and public sectors of the labor force.

It is recommended that the President announce his intention of submitting, at an early date, legislation to expand, improve, and modernize the Nation's Apprenticeship training program with particular emphasis on expanding the opportunities available to minority youth, veterans, and women.

9/6/77

THE WHITE HOUSE
WASHINGTON

Panama - Torrijos
FM Gonzalez-Revilla
Amb Lewis

Signing ceremonies

Implementation - JEC/Tor

Time of plebescite?

Senate vote?

Panama/us public image

Electrostatic Copy Made
for Preservation Purposes

9/6/77

THE WHITE HOUSE
WASHINGTON

Colombia. Lopez
Amb Barco

Rosalynn

Special canal rights

Cocaine - grass - heroin - Bourne

Human Rts Convention signed

NPT not signed

US prisoners - Richard Starr

Internationalize Human Rts.

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9/6/77

THE WHITE HOUSE
WASHINGTON

Paraguay - Stroessner
State Ceremony - Pappalardo
FM - Moques

Receive Hum Rts Commission
Prisoners released - Judy use

Itaipu Dam

Disneyworld - Voyager II

Stress - 47 Revolution 6 mos

Exports \nearrow 10X

No arms purchases

Gifts for us. A - Ay

Credit

9/6/77

THE WHITE HOUSE
WASHINGTON

Peru - Morales - Bermudez
FM Puente
Amb Garcia - Bedoya

- > Rosalynn - Hum Rtr Conv (signed)
Elections 1980
- > Arms purchases - no new - (Tell
Chile & Ecuador?)
- > Bolivia → sea (Arica)
- > Last week - ok on \$57 Mil CCC loans
PL 480
- > Tlatelolco/NPT signed - help USSR
Cocaine
- > IMF loans
- > Int Sugar Agreement/Copper

Respect - Chile/Bolivia

IMF - Valued - endorsement.

Protocol - Title VII

9/6/77

THE WHITE HOUSE
WASHINGTON

Chile Pinochet
FM Carvajal
Amb Cauas

- > Todman
- Human Rts
- > Andean armaments
- > NPT - no
- > Tlatelolco - yes (pending)
- > Bolivia → sea

Consultations?

Belcor - difficult period -
Military govt - Probs viene
de Cuba, Br - My - Peru -
Apply law - not blind -
probs not permanent -
peace - father vs son - In
Christian - supreme ct 4 positions
Comm on human rights -

How alleviate problem?

No political prisoners -

Fail exchange for extradition

DINA dissolved -

Outside observation

UN - rules - inspection

UN partial = 2 people

Suggestion?

Tn atado

9/16/77
1400 Km²

THE WHITE HOUSE
WASHINGTON

10/23 Plebescite

900,000 / 1.7 M.1 population

Msg to Panama

Coop → future

Problema -

Right - fair - determined

Honduras / El Salvador

Violence in name of U.S.

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